Proposed Rule Change by Philadelphia Stock Exchange

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<table>
<thead>
<tr>
<th>Initial</th>
<th>Amendment</th>
<th>Withdrawal</th>
<th>Section 19(b)(2)</th>
<th>Section 19(b)(3)(A)</th>
<th>Section 19(b)(3)(B)</th>
<th>Rule</th>
</tr>
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<tbody>
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Pilot

Extension of Time Period for Commission Action

Date Expires

Rule


Description

Provide a brief description of the proposed rule change (limit 250 characters).

Fees for U.S. dollar-settled foreign currency options.

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name: Cynthia
Title: Vice President
E-mail: cynthia.hoekstra@phlx.com
Telephone: (215) 496-5066
Fax: (215) 496-6729

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date: 01/04/2007
By: Cynthia Hoekstra
Vice President

(Note: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.)
<table>
<thead>
<tr>
<th><strong>Form 19b-4 Information</strong></th>
<th>The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibit 1 - Notice of Proposed Rule Change</td>
<td>The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3).</td>
</tr>
<tr>
<td>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</td>
<td>Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.</td>
</tr>
<tr>
<td>Exhibit 3 - Form, Report, or Questionnaire</td>
<td>Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.</td>
</tr>
<tr>
<td>Exhibit 4 - Marked Copies</td>
<td>The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.</td>
</tr>
<tr>
<td>Exhibit 5 - Proposed Rule Text</td>
<td>The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.</td>
</tr>
<tr>
<td>Partial Amendment</td>
<td>If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission’s permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e., partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.</td>
</tr>
</tbody>
</table>
1. **Text of the Proposed Rule Change**

   The Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") \(^1\) and Rule 19b-4 thereunder, \(^2\) proposes to assess the same charges that are assessed on index options on all U.S. dollar-settled foreign currency options ("FCOs"). The Exchange also proposes to delete the words “dollar or foreign currency based,” which appear under the heading “Summary of Currency Option Charges” and to make other related clarifying changes to its Summary of Currency Option Charges.

   This proposal is scheduled to become effective when the Exchange launches trading of U.S. dollar-settled FCOs, which is expected to be in early January 2007. \(^3\)

   A notice of the proposed rule change for publication in the *Federal Register* is attached hereto as **Exhibit 1** and a copy of the Exchange’s Summary of Index Option Charges and Summary of Currency Option Charges is attached hereto as **Exhibit 5**.

2. **Procedures of the Self-Regulatory Organization**

   The Phlx Board of Governors approved the proposal for filing with the Commission on December 14, 2006.

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Questions and comments on the proposed rule change may be directed to Cynthia Hoekstra, Vice President, at (215) 496-5066 or Edith Hallahan, Senior Vice President and Deputy General Counsel at (215) 496-5179.

3. **Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

   a. **Purpose**

   The purpose of this proposal is to adopt a fee schedule for U.S. dollar-settled FCOs. The Exchange proposes to amend its Summary of Index Option Charges fee schedule to include U.S. dollar-settled FCOs, which are not index options but which have trading features similar to index options, so that the Exchange will assess these products in the same manner that it charges for index options. In addition, the Exchange proposes to list the symbols of U.S. dollar-settled FCOs on its Summary of Index Option Charges. The Exchange believes that the fees set forth in its current Summary of Index Option Charges fee schedule reflect the value of U.S. dollar-settled FCOs as new investment vehicles.

   The Exchange also proposes to amend its Summary of Currency Option Charges, which applies to the Exchange’s currency products, but not U.S. dollar-settled FCOs described above. The purpose of deleting the words “dollar or foreign currency based,” which appear under the heading “Summary of Currency Option Charges” is to avoid confusion with U.S. dollar-settled FCOs as set forth in this proposal. The Exchange proposes, therefore, to state on its Summary of Currency Option Charges that U.S. dollar-settled FCOs are subject to a separate fee schedule.
b. **Statutory Basis**

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act\(^4\) in general, and furthers the objectives of Section 6(b)(4) of the Act\(^5\) in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

4. **Self-Regulatory Organization's Statement on Burden on Competition**

The Phlx does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

5. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

No written comments were either solicited or received.

6. **Extension of Time Period for Commission Action**

The Exchange does not consent to an extension of the time period for Commission action.

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The foregoing proposed rule change establishes or changes a due, fee, or other charge applicable only to a member pursuant to Section 19(b)(3)(A)(ii) of the Act\(^6\) and Rule 19b-4(f)(2)\(^7\) thereunder. Accordingly, the proposal will take effect upon filing with

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the Commission. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed rule change is not based on the rules of another self-regulatory organization or of the Commission.

9. Exhibits
   1. Notice of proposed rule for publication in the Federal Register.
   5. Summary of Index Option Charges and Summary of Currency Option Charges.
Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")\(^1\), and Rule 19b-4 thereunder,\(^2\) notice is hereby given that on ______________________ 2007, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Phlx. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. **Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

   The Phlx, pursuant to Section 19(b)(1) of the Act\(^3\) and Rule 19b-4 thereunder,\(^4\) proposes to assess the same charges that are assessed on index options on all U.S. dollar-settled foreign currency options ("FCOs"). The Exchange also proposes to delete the words “dollar or foreign currency based,” which appear under the heading “Summary of Currency Option Charges” and to make other related clarifying changes to its Summary of Currency Option Charges.

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This proposal is scheduled to become effective when the Exchange launches trading of U.S. dollar-settled FCOs, which is expected to be in early January 2007.\footnote{The Securities and Exchange Commission ("SEC" or "Commission") recently issued a release approving a proposed rule change filed by the Exchange to list certain U.S. dollar-settled FCOs and to adopt rules and rule amendments to permit the trading of U.S. dollar-settled FCOs on the Exchange’s electronic trading platform for options, Phlx XL. \textit{See} Securities Exchange Act Release No. 54989 (December 21, 2006), 71 FR 78506 (December 29, 2006) (SR-Phlx-2006-34). At this time, the Exchange intends to launch trading of U.S. dollar-settled FCOs on January 8, 2007.}


II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Phlx included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Phlx has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposal is to adopt a fee schedule for U.S. dollar-settled FCOs. The Exchange proposes to amend its Summary of Index Option Charges fee schedule to include U.S. dollar-settled FCOs, which are not index options but which have trading features similar to index options, so that the Exchange will assess these products in the same manner that it charges for index options. In addition, the Exchange proposes to list the symbols of U.S. dollar-settled FCOs on its Summary of Index Option Charges.
The Exchange believes that the fees set forth in its current Summary of Index Option Charges fee schedule reflect the value of U.S. dollar-settled FCOs as new investment vehicles.

The Exchange also proposes to amend its Summary of Currency Option Charges, which applies to the Exchange’s currency products, but not U.S. dollar-settled FCOs described above. The purpose of deleting the words “dollar or foreign currency based,” which appear under the heading “Summary of Currency Option Charges” is to avoid confusion with U.S. dollar-settled FCOs as set forth in this proposal. The Exchange proposes, therefore, to state on its Summary of Currency Option Charges that U.S. dollar-settled FCOs are subject to a separate fee schedule.

2. Statutory Basis

The Exchange believes that its proposal to amend its schedule of fees is consistent with Section 6(b) of the Act\(^6\) in general, and furthers the objectives of Section 6(b)(4) of the Act\(^7\) in particular, in that it is an equitable allocation of reasonable fees and other charges among Exchange members.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.


C. **Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

No written comments were either solicited or received.

III. **Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act\(^8\) and paragraph (f)(2) of Rule 19b-4\(^9\) thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. **Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

**Electronic comments:**

- Use the Commission’s Internet comment form
  
  [http://www.sec.gov/rules/sro.shtml](http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-Phlx-2007-02 on the subject line.

**Paper comments:**

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• Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090. All submissions should refer to File Number SR-Phlx-2007-02. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission’s Public Reference Room. Copies of the filing also will be available for inspection and copying at the principal office of the Phlx. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-Phlx-2007-02 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Nancy M. Morris  
Secretary

SUMMARY OF INDEX OPTION AND U.S. DOLLAR-SETTLED FOREIGN CURRENCY OPTION* CHARGES (p. 1/1)

OPTION COMPARISON CHARGE (applicable to all trades – except specialist trades)

Registered Option Trader $0.03 per contract
Firm (Proprietary and Customer Executions) $0.04 per contract

OPTION TRANSACTION CHARGE

Customer Executions $0.40 per contract
Firm/Proprietary** $0.20 per contract
Firm/Proprietary Facilitation $0.20 per contract
Registered Option Trader $0.21 per contract
Specialist $0.24 per contract

OPTION FLOOR BROKERAGE ASSESSMENT

<table>
<thead>
<tr>
<th>Monthly Net Floor Brokerage Income</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $300,000</td>
<td>5.5%</td>
</tr>
<tr>
<td>$300,001 - $500,000</td>
<td>6.5% (excess &gt; $300,000)</td>
</tr>
<tr>
<td>$500,001 and Over</td>
<td>7.5% (excess &gt; $500,000)</td>
</tr>
</tbody>
</table>

Monthly Cap: $100,000

CANCELLATION FEE

$1.10 per order for each cancelled AUTOM-delivered order in excess of the number of orders executed on the Exchange by a member organization in a given month. The cancellation fee is not assessed in a month in which fewer than 500 AUTOM-delivered orders are cancelled.

REAL-TIME RISK MANAGEMENT FEE

$.0025 per contract for firms/members receiving information on a real-time basis

See Appendix A for additional fees.

See footnote 10.
SUMMARY OF PHYSICAL DELIVERY CURRENCY OPTION CHARGES*
[Dollar or Foreign Currency Based]

OPTION COMPARISON CHARGE (applicable to all trades – except specialist trades)

Firm (Proprietary and Customer Executions) and Registered Option Trader

$0.05 per contract

OPTION TRANSACTION CHARGE*

Customer Executions
Firm (Proprietary Executions)
Registered Option Trader and Specialist

$0.28 per contract
$0.23 per contract
$0.14 per contract

OPTION FLOOR BROKERAGE ASSESSMENT

5% of net floor brokerage income.

FLOOR BROKERAGE TRANSACTION FEE

$0.05 per contract, for floor brokers executing transactions for their own member firm.

Volume Discount for Physical Delivery Currency Options Transaction Charge Activity

*Volume discounts will be available based upon total Customer Executions and Firm Proprietary activity per billing period. The discount will apply to the number of contracts executed within the specified ranged (i.e., member XYZ executed 340,000 contracts for his Customer and Firm in a billing period. All contracts will be billed at the normal rates, however, rebates of $.10 will be given for 140,000 contracts.)

<table>
<thead>
<tr>
<th>Number of Contracts</th>
<th>Reduction</th>
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<tbody>
<tr>
<td>200,001 – 400,000</td>
<td>$.10 per contract</td>
</tr>
<tr>
<td>400,001 or more</td>
<td>$.20 per contract</td>
</tr>
</tbody>
</table>

See Appendix A for additional fees.

* U.S. dollar-settled foreign currency options are subject to a separate fee schedule. See Summary of Index Option and U.S. Dollar-Settled Foreign Currency Option Charges.